IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

INFORMATION HANDLING SERVICES INC., et al.	:	CIVIL ACTION
v.	:	
LRP PUBLICATIONS INC.	:	NO. 00-1859

MEMORANDUM AND ORDER

FULLAM, Sr.J. APRIL , 2000

Plaintiffs Information Handling Services Inc. and IHS HR Products Inc. (collectively, "IHS"), are publishers of computerized databases. One of these is the PERSONNET database, which contains information concerning personnel issues relating to U.S. government employees, and on which plaintiffs hold a copyright.[1] PERSONNET contains relevant portions of the U.S. Code, CFR, and government agency personnel manuals, along with decisions of the Equal Employment Opportunity Commission (EEOC), the Merit Systems Protection Board (MSPB), and the Federal Labor Relations Authority (FLRA)-- materials that clearly are not copyrightable. The database also contains, however, some items which would enjoy copyright protection, such as editorial commentary and summaries. Defendant LRP Publications Inc., introduced a competing but less comprehensive product, known as cyberFEDS,

[1] It is possible to copyright a compilation, if it is sufficiently original, even though copyright protection would not extend to the underlying data. *See* 17 U.S.C. §103.

in 1997. During 1999, however, LRP rapidly expanded its database and began advertising that cyberFEDS contained everything contained in PERSONNET, but was available at a lower cost. IHS suffered significant losses, and began to suspect that the expansion of cyberFEDS was accomplished by the direct copying of portions of PERSONNET. After determining that EEOC opinions appearing in cyberFEDS contained "unique, identifying features -- such as certain cues, typographical errors and other items" found in the PERSONNET documents but not in the originals, IHS filed this action in the Court of Common Pleas of Montgomery County.

Plaintiffs complaint contains four counts, all arising under state law. The first is an unfair competition and misappropriation claim. The second count claims breach of contract, claiming that defendant or some unknown agent subscribed to PERSONNET and engaged in unauthorized copying and dissemination of the data, in violation of the license agreement (presumably what is known as a software "shrinkwrap license") into which each subscriber must enter. Count three, pled alternatively to count two, is a tortious interference with contract claim, in case an unknown third party subscriber was caused to breach its contract (the license agreement) with IHS. Count four, pled alternatively to counts two and three, is a conspiracy count, the conspirators being defendant and the aforementioned unknown third party. Defendants removed to this court on the basis of a federal question pursuant to the Copyright Act, 17 U.S.C. §101 *et. seq*.; plaintiffs have filed a motion to remand. There is no diversity of citizenship.

Because the complaint does not state a federal claim on its face, removal on the basis of the existence of a federal defense is permissible only if plaintiffs' claim "is 'really' one of federal law," Franchise Tax Bd. v. Construction Laborers Vacation Trust, 463 U.S. 1, 13

(1983), that is, if the Copyright Act completely preempts plaintiffs' state law claims. In Goepel v. National Postal Mail Handlers Union, 36 F.3d 306, 311 (3d Cir. 1994), the Third Circuit adopted a two-part test for complete preemption: first, the statute relied upon as preemptive must contain civil enforcement provisions within the scope of which plaintiffs' claim fall; second, there must be a clear indication that Congress intended to permit removal despite the plaintiffs' exclusive reliance on state law.

The first issue that must be addressed is whether at least one count of the complaint falls within the subject matter of copyright in the first place. It is clear that plaintiffs have attempted to avoid stating a claim under the Copyright Act for the simple reason that they cannot claim copyright protection for items such as EEOC opinions. The copyright laws do not protect the "sweat of the brow" involved in compiling otherwise uncopyrightable -- i.e., unoriginal -- facts. *See* Feist Publications, Inc. v. Rural Telephone Serv. Co., 499 U.S. 340, 352-54 (1991). Defendants, however, assert that allegations of copying fall within the subject matter of copyright for purposes of jurisdiction, regardless of whether the matter copied is copyrightable. *See* Aldridge v. The Gap, Inc., 866 F. Supp. 312, 315 (N.D. Tex. 1994).

The general scope of copyright is specified in 17 U.S.C. §106, which states that "the owner of copyright under this title has the exclusive rights ... to reproduce the copyrighted work," and §301 preempts any state law that creates "legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by Section 106." A claim for unauthorized copying falls squarely within the scope of the rights specified in §106, and the vast weight of authority holds that state law misappropriation and unfair competition claims that are really claims for unauthorized copying are preempted. *See, e.g.*, National

Basketball Ass'n v. Motorola, Inc., 105 F.3d 841 (2d Cir. 1997)(§301 preempts state law misappropriation claims with respect to uncopyrightable as well as copyrightable elements); Triangle Publications, Inc. v. Sports Eye, Inc., 415 F. Supp. 682, 686 (E.D. Pa. 1976)(state regulation of unfair competition is preempted as to matters falling within the broad confines of the copyright clause of the Constitution); Freiman v. Seel, C.A. No. 96-7282, 1997 WL 305935 (E.D. Pa. May 29, 1997)(misappropriation and unfair competition claims preempted); *see also* 1 Melville B. Nimmer & David Nimmer, Nimmer on Copyright §1.01[B][1][f][iii] (1999) (citing cases). While the Supreme Court in Feist Publications did not completely foreclose the use of the law of unfair competition to protect the investment involved in creating compilations of fact, *see* 499 U.S. at 354, "such efforts must be limited to circumscribed situations, to avoid swallowing the Supreme Court's ruling that the public is generally free to reproduce factual materials." 1 Nimmer, *supra,* §3.04[B][3][b]. The states may not take it upon themselves to expand copyright protection under the rubric of misappropriation and unfair competition in the absence of Congressional action.[2]

Because I hold that plaintiffs' misappropriation and unfair competition claim is preempted, it is not necessary to determine whether the breach of contract, tortious interference with contractual relations and/or conspiracy claims are preempted as well. Generally speaking, however, if a cause of action contains an "extra element" that qualitatively distinguishes it and its underlying rights from those addressed by copyright law, the cause of action is not preempted. It might appear that the breach of contract, tortious interference with contractual relations and

[2] I note that while legislation has been proposed at least twice in Congress to extend copyright protection to compilers of facts, it has thus far failed to pass. *See* 1 Nimmer §3.04[B][3][a].

conspiracy claims, all of which involve violation of the license agreement, are qualitatively different from a copyright claim, but it is questionable whether such licenses, which are not the product of any bargaining, should be permitted effectively to expand copyright protection to information that is not copyrightable in the first instance. *See* 1 Nimmer, *supra,* §3.04[B][3][a]; *but see* ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996)(misappropriation claim not preempted where breach of contract involving a shrinkwrap license is involved).

If plaintiffs' misappropriation claim, then, is "really" a copyright claim, it is necessary next to determine whether there is complete preemption under Goepel and thus removal jurisdiction in this court-- an issue our Court of Appeals has not yet considered. If so, the motion to remand must be denied. The first part of the test, whether the Copyright Act contains civil enforcement provisions within the scope of which plaintiffs' claim falls, is satisfied: the law gives the owner of a copyright the right to bring an action for infringement for unauthorized copying of his work. It is irrelevant whether that action would be successful or not-- the decision to withhold copyright protection is as much a policy determination made by Congress as the decision to grant such protection. The second part of the Goepel test is also satisfied: Congress, both in the statute and its legislative history, expressed unequivocally its intent to act preemptively. For example, §301 provides:

> On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. §301(a). The House Report goes further:

> The intention of section 301 is to preempt and abolish any rights under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law. The declaration of this principle in section 301 is intended to be stated in the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of any vague borderline areas between State and Federal protection.
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> ... Regardless of when the work was created and whether it is published or unpublished, disseminated or undisseminated, in the public domain or copyrighted under the Federal statute, the States cannot offer it protection equivalent to copyright. Section 1338 of title 28, United States Codes, also makes clear that any action involving rights under the Federal copyright law would come within the exclusive jurisdiction of the Federal courts....
>
> As long as a work fits within one of the general subject matter categories of sections 102 and 103, the bill prevents the States from protecting it even if it fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify, or because it has fallen into the public domain....
>
> The preemption of rights under State law is complete with respect to any work coming within the scope of the bill, even though the scope of exclusive rights given the work under the bill is narrower than the scope of common law rights in the work might have been.

H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 19 (1976).

Finally, other courts that have considered the issue have found the Copyright Act to be completely preemptive. *See* Rosciszewski v. Arete, 1 F.3d 225 (4th Cir. 1993); Worth v. Universal Pictures, Inc., 5 F. Supp.2d 816 (C.D. Cal. 1997); Dielsi v. Falk, 916 F. Supp. 985 (C.D. Cal. 1996); Wharton v. Columbia Pictures Indus., Inc., 907 F. Supp. 144 (D. Md. 1995); Patrick v. Francis, 887 F. Supp. 481 (W.D.N.Y. 1995); Artie Fields Productions v. Channel 7 of Detroit, Inc., 32 U.S.P.Q.2d 1539, 1994 WL 559331 (E.D. Mich. 1994); Perro v. Wemco, Inc., 32 U.S.P.Q.2d 1475, 1994 WL 382590 (E.D. La. 1994); Aldridge v. The Gap, Inc., *supra*;

Gemcraft Homes Inc. v. Sumurdy, 688 F. Supp. 289 (E.D. Tex. 1988).

For the foregoing reasons, I hold that the Copyright Act is completely preemptive of plaintiffs' misappropriation and unfair competition claim, and the motion to remand will be denied. An Order follows.

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O R D E R

AND NOW, this day of April, 2000, IT IS ORDERED:

1. Plaintiffs' motion to remand is DENIED.

2. A hearing on plaintiffs' motion for a preliminary injunction shall be held in Courtroom 15A, United States Courthouse, 601 Market Street, Philadelphia, Pennsylvania, on Thursday, April 27, 2000, at 2:00 p.m.

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Fullam, Sr.J.